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Brazil

Oilseeds and Products

Soybean Update

2007

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Report Highlights:

This year's good-looking soybean crop, in tandem with soybean prices that are on the upswing, are expected to help bail farmers out of the debt that they have accumulated over the past three seasons of drought and low prices. In drastic comparison with previous years, yields will be boosted this year by a near-perfect combination of sun and precipitation so far. Due to the wetter conditions, soybean rust has posed more of a threat this year, but remains well managed, and losses due to the disease so far are minimal. Production remains forecast at 55.5 MMT on an area of 20.6 million hectares.

Includes PSD Changes: No
Includes Trade Matrix: No
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Brasilia [BR1]
[BR]

Production

Post's soybean production estimate remains at 55.5 MMT with an expected yield of 2.7 tons per hectare. The soybean harvest is 10% complete, with the first soybeans being harvested in the Center-west of Brazil. Post paid a recent visit to areas being harvested in Paraná, and found the condition of the crop to be very good, with expected average yields of 2.9 tons per hectare in that state. Under this year's ideal weather conditions, early yields are short of outstanding only because of the less fertilizer used this year due to poor credit availability.

The two remaining factors that could threaten the Brazilian soybean crop are excessive humidity and rust. In Mato Grosso, where the harvest is currently taking place, there have been reports of losses due to the wet weather. Five days of rain occurred in the center-north of the state, where a good part of the state's soybeans are concentrated (Sinop/Sorriso region).

The other potential problem is soybean rust. The number of registered rust cases this year (1020) has nearly doubled over last year's at this time (613). This increase is due to the fact that last year's drought hindered the spread of rust, while this year's humidity has allowed it to spread more easily. However, farmers seem to be doing either preventative spraying, or using the alert system (in the case of the south), and major losses due to rust are yet to be reported.

February 07	**Post Forecast Soybean Area, Yield, and Production** (1000 ha; Tons/ha, Thousand tons)		
Region	Area	Yield	Production
Center West	**8853**	**2.909**	**25750**
MS	1700	**2.824**	4800
MT	5000	**2.940**	14700
GO	2100	**2.905**	6100
DF	53	**2.830**	150
South	**8325**	**2.494**	**20765**
PR	4000	**2.919**	11675
SC	375	**2.640**	990
RS	3950	**2.051**	8100
Southeast	**1430**	**2.727**	**3900**
MG	920	**2.717**	2500
SP	510	**2.745**	1400
Northeast	**1443**	**2.640**	**3810**
MA	378	**2.593**	980
PI	225	**2.800**	630
BA	840	**2.619**	2200
North	**511**	**2.620**	**1339**
RO	100	**2.700**	270
AM	3	**3.000**	9
RR	18	**3.333**	60
PA	80	**3.000**	240
TO	310	**2.452**	760
Totals	**20562**	**2.702**	**55564**

Biotech Beans

As corn prices began to rise in 2006, Brazilian farmers developed a strategy: plant and harvest GMO early variety soybeans, then plant winter corn as soon as possible in order to harvest it before frosts hit in July and August. This has contributed to the largest percentage of Biotech soybeans ever planted in Brazil. Twenty-five to thirty percent of Mato Grosso's soybeans are biotech, compared to 5 percent last season. According to the International Service for Application of Agro-biotechnology (ISAAA in Portuguese), Brazil's overall soybean area is 54% GMO. The same group expects Brazil's soybean area to reach 80% in the next ten years.

The increase in biotech beans also created problems for some grain terminals, that are being challenged to keep conventional and biotech beans separate. However, premiums for those who grow conventional beans are increasing in value, as much as $10 per ton. The more difficult to source, the higher the premium, such as in the South, where biotech has become the majority of the crop. In the center-west, where conventional beans are still prevalent, the premium offered for transgenic soybeans was reportedly in the neighborhood of $6 per ton.

ABIOVE (Brazil's vegetable oil association) claims that Brazil should exploit its non-GMO market niche, granted that the U.S. and Argentina have gone nearly 100 percent biotech in soybeans. The main barrier to managing this opportunity, however, is Brazil's difficulty in segregating GMO beans from conventional ones. ABIOVE has expressed concern that Brazil should improve the management and control of separate transport and storage for, as well as traceablity of, conventional soybeans.

Area

This year's soybean area dropped about 7 percent due to the poor financial situation of farmers. This was in good part due to the lack of financing available to farmers in conjunction with their compounding debt. Some shifting from soy to sugarcane occurred. In the South, area was basically maintained, while the Center-west lost area to sugarcane, cotton, and pasture. Soy expansion in frontier areas was put on hold this year.

However, the expectation of a considerable decrease in the U.S. soybean area in 2007 and possibly in future years in order to expand corn production has made a big impact on Brazilian farmers. It will very likely encourage expansion in soy area next season, which will mean that the clearing of new land will resume in the expansion areas of Center-west and Northern Brazil.